

December 16, 2016



The Honorable Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**RE: Comments In Response to the December 2 Discussion Draft of the
2030 Target Scoping Plan Update**

Dear Chair Nichols:

The State Water Contractors (SWC) submit the following comments on the current draft version of the 2030 Target Scoping Plan, dated December 2, 2016 (Discussion Draft). In drafting these comments, the SWC believe that it is first necessary to provide background on the State Water Project (SWP) and the role that it and the SWC play in the lives of millions of Californians.

The California State Water Project

The SWP is the largest state-built, multi-purpose water project in the United States (see attachment). Owned and operated by DWR, a primary purpose of the SWP is to store and deliver water to its customers, the SWP contractors. The SWP contractors pay all capital, operations, maintenance and financing costs associated with the SWP.

The SWP service area is found throughout Northern California, the San Francisco Bay area, the San Joaquin Valley, the Central Coast and Southern California. The SWP delivers an average of 2.6 million acre-feet of water annually to 25 million families and businesses and 750,000 acres of agriculture to provide critical water needs to the majority of California.

The SWP currently supplies approximately 65% of its pump load with carbon free hydropower and state certified renewable resources – the balance of load can vary significantly depending on fluctuating hydro-generation conditions from one year to the next and must, therefore, look to securing the remainder of the SWP's power supply requirements through short-term (monthly) purchases. Overall, the current average carbon content of the electricity in the SWP portfolio matches the statewide goal for 2030.

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Balancing Competing Visions of the State Water Project

The California Air Resources Board's (ARB) vision of the SWP in the post-2020 period must be balanced with the competing visions held by the State Water Resources Control Board, the California Independent System Operator, the California Energy Commission and others. These competing visions arise because of the unique position of the SWP and the state's policies on water, energy and carbon emissions.

The California Department of Water Resources (DWR) is responsible for managing and protecting California's water resources. DWR collaborates with other state, regional and local agencies for the benefit of the citizens of California while protecting, restoring and enhancing the natural and human environments related to SWP operations. The CA Natural Resources Agency, the umbrella agency over DWR, works very closely with DWR to meet that responsibility.

The Discussion Draft significantly alters the balanced approach the CA Natural Resources Agency and DWR have adopted to meet California's water, energy and carbon policies. Instead, ARB should defer to the expertise and judgment of its sister agencies in SWP operations and policies.

The Discussion Draft

- 1) 100% Renewable Energy Use By the SWP: The AB 32 EJAC Recommendation, referenced in Appendix D of Discussion Draft recommends to "Make pumping of water by the State Water Project in California 100% renewable by 2030, with consumers of the water paying for renewable energy installation and production along the project right-of-ways."

Relying on 100% renewable power by 2050 is an aspirational goal of DWR, which the SWC support. The pathway to achieve that goal is the DWR Carbon Reduction Plan. There are several complicated matters considered by the DWR Plan but those considerations are overlooked by ARB's Discussion Draft.

As stated above, the SWP water deliveries, power production and power consumption are dependent on hydrologic conditions. California hydrologic conditions and consequent hydropower generation vary significantly and unpredictably year-to-year. The table below illustrates the variability. For example, in 2014, and after four years of drought, the SWP delivered 5% of the water under contract with the SWC. In 2016, and in a year that began as another drought until late spring rains, the SWP delivered 60%. The associated power supply and consumption follows.

What Does 100% Renewable Power Mean for SWP?

	2014	2016
SWP Water Delivery (% of SWC Entitlement)	5%	60%
SWP Pump Demand (GWh)	2,800	6,200
SWP and Other Carbon Free Power (GWh)	1,800	3,800
Market Power (GWh)	1,000	2,400

The broad-nature of the Discussion Draft does not answer the question of how much power the SWP should purchase annually to meet the ARB imposed 100% renewable mandate. Is it the total SWP pump demand? Is it the market power? Is it based on 2014, 2016 or some other year? More clarifications are necessary.

The Discussion Draft also overlooks the cost impact to SWP customers. AB 685, the "Human Right to Water," finds that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." The Discussion Draft translates to higher water costs from the sub-optimal purchases of renewables. Those costs will be borne by customers of the SWC. That is inconsistent with state water policy.

- 2) California Water Fix and Eco Restore: The AB 32 EJAC Recommendation, referenced in Appendix D Discussion Draft recommends the ARB "Identify the energy use and reduction goals for the proposed California Water Fix and Eco Restore project, including the pumps at Tracy (the single largest energy user in California)."

The future energy demands of the SWP is speculative due to the ongoing design refinements associated with the California Water Fix. As currently proposed, the California Water Fix includes two new gravity-fed tunnels to the Harvey O. Banks Pumping Plant in Tracy. Consequently, the tunnel infrastructure will not use energy to move water through the Delta.

More importantly, California WaterFix is a science-driven upgrade to California's aging water system. It will provide clean, reliable water while protecting the environment. It is supported by engineers, scientists, water experts, California businesses and environmental groups. It is the result of an unprecedented level of public review and comment, and was chosen after evaluating hundreds of alternatives because it is an economically smart solution to our state's water delivery challenges.

In stating "Central to the life of our state is water. We must deal with longstanding infrastructure challenges. We are finally grappling with the long-term sustainability of our water supply." Governor Brown has confirmed California WaterFix is a signature initiative of his administration.

The CA Natural Resources Agency and DWR are leading this modernized approach to move water supplies through an environmentally sensitive area within the Delta, in a manner that significantly limits risks associated with public safety and the environment. Nearly 25 million California families and businesses are dependent upon the success of California WaterFix. CA Eco Restore will accelerate and implement a comprehensive suite of habitat restoration actions to support the long-term health of the Sacramento-San Joaquin Delta's native fish and wildlife species. Under the program, wetlands restored for subsidence reversal and carbon management are designed to support the state's carbon policy.

The EJAC recommendations appear to have been developed in a vacuum, void of input from the water community stakeholders. Rather than pursuing the EJAC recommendations in the Discussion Draft, we urge ARB to engage with the CA Natural Resources Agency, DWR and the SWC to fully understand the public benefits associated with both CA Water Fix and CA Eco Restore.

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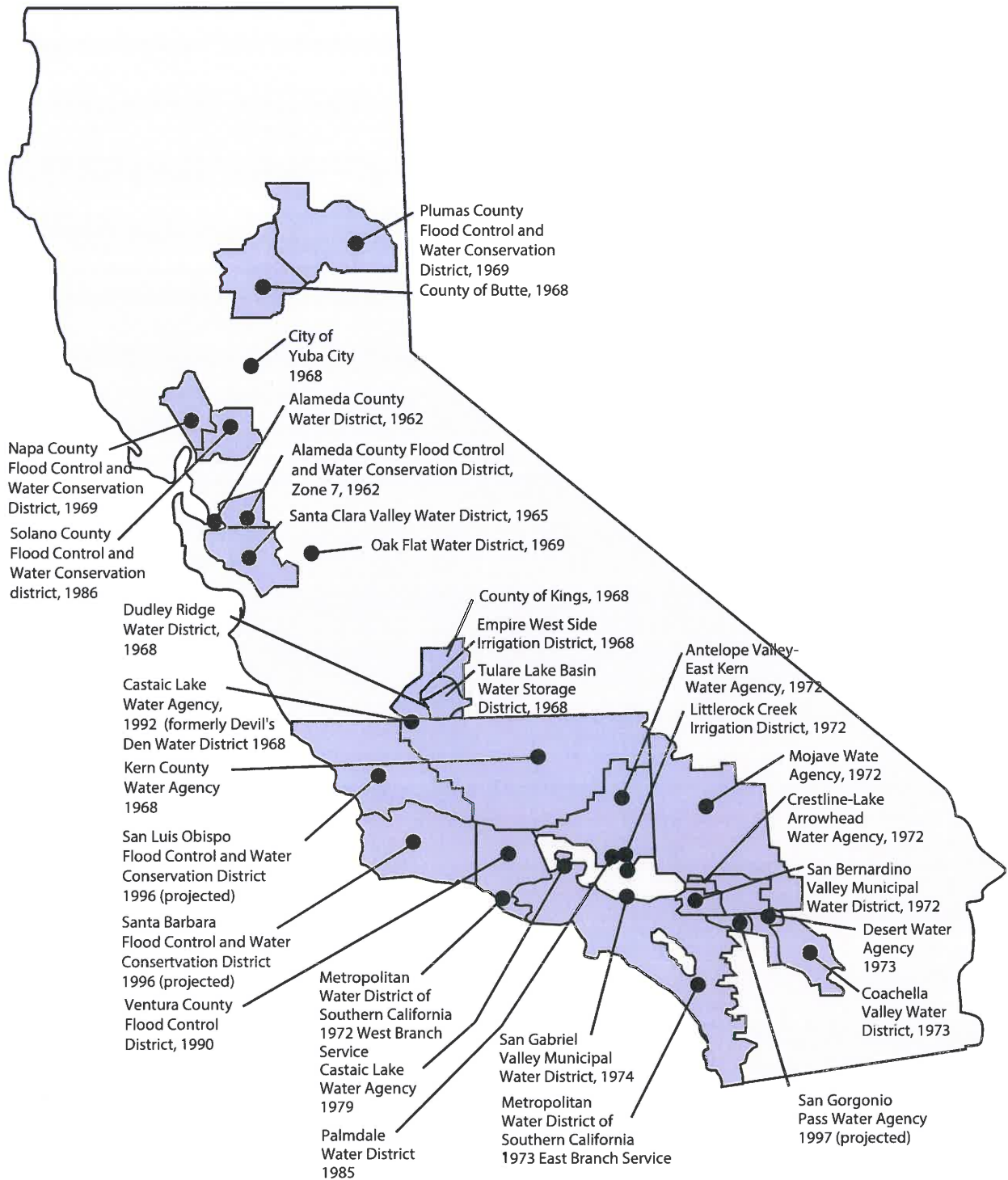
In closing, thank you for the opportunity to respond to the December 2 version of the 2030 Scoping Plan Update. We are available to meet with ARB to discuss the SWC concerns further and in more detail.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Timothy J. Haines', with a long, sweeping horizontal line extending to the right.

Timothy J. Haines
Deputy General Manager, Energy

State Water Contractor Service Areas



State Water Project Facilities

